

**CITY OF CLEARWATER, KANSAS**

---

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2016**

---

**George, Bowerman & Noel, P.A.**  
*Certified Public Accountants*

## **TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	18
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	19
Statement of Net Position – All Enterprise Funds .....	21
Statement of Revenue, Expenses and Changes in Fund Net Position – All Enterprise Funds .....	23
Statement of Cash Flows – All Enterprise Funds .....	24
Statement of Fiduciary Net Position – Fiduciary Funds .....	26
Notes to Financial Statements .....	27
Required Supplementary Information:	
KPERS Pension Plan:	
Schedule of City's proportionate Share of Net Pension Liability .....	56
Schedule of City's Contributions .....	56
Combining Statements and Individual Fund Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	58
Combining Balance Sheet – All Nonmajor Special Revenue Funds .....	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Nonmajor Special Revenue Funds .....	61

**TABLE OF CONTENTS**  
**(continued)**

	<u>Page</u>
Schedule of Revenues, Expenditures and Changes in	
Fund Balance – Budget and Actual – Budgetary Basis for:	
Special Highway .....	63
Employee Benefit.....	64
Special Liability Insurance .....	65
Special Parks and Recreation .....	66
Capital Improvement .....	67
Library .....	68
Library Employee Benefits .....	69
Emergency Medical Services Fee .....	70
Senior Center .....	71
Debt Service .....	72
Enterprise Funds:	
Schedule of Revenues, Expenditures and Changes in	
Fund Balance – Budget and Actual – Budgetary Basis for:	
Water Utility .....	73
Sewer Utility .....	74
Statement of Changes in Assets and Liabilities – All Agency	
Funds – Payroll Tax Withholding Fund .....	75
Component Unit:	
Combining Balance Sheet – Clearwater Public Library .....	76
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Clearwater Public Library .....	77

# George, Bowerman & Noel, P.A.

*Certified Public Accountants  
Management Consultants  
Tax Advisors*

Paul R. Bowerman  
Gary L. George

---

Epic Center 301 N. Main, Suite 1350 Wichita, Kansas 67202 Telephone (316) 262-6277 Fax (316) 265-6150

---

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
City Council  
Clearwater, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clearwater, Kansas (City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clearwater, Kansas, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of City's proportionate share of net penal liability and of City's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*George, Bowerman & Noel, P.A.*

Wichita, Kansas  
May 27, 2017

**(This page left blank intentionally.)**

**CITY OF CLEARWATER, KANSAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2016**

As management of the City of Clearwater, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

**FINANCIAL HIGHLIGHTS**

- The total assets of the City exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,770,919 (net position). Of this amount, \$912,680 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net position increased by \$353,775 of which the governmental activities increased net position by \$170,150 and business-type activities increased net position by \$183,625.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,265,486 compared to a combined ending fund balance of \$1,189,781 at December 31, 2015. Of the current year fund balance, \$304,432 is restricted, \$239,213 is committed, \$96,963 is assigned and \$624,878 is unassigned.
- At year-end, the business-type activities of the City reported net position of \$2,321,555.
- At the end of the current fiscal year, total fund balance for the General Fund was \$726,138, or approximately 44%, of the total General Fund expenditures for 2016.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public improvements, street improvement and maintenance, planning and zoning, recreation, sanitation services and other activities. The business-type activities include water and sewer utility services.

The government-wide financial statements include not only the City itself, but also the Clearwater Public Building Commission and Clearwater Public Library, legally separate entities for which the City is financially accountable. The Clearwater Public Building Commission is considered a blended component unit and the financial information for that entity is included within the City's financial statements. Financial information for the Clearwater Public Library is reported separately from the financial information presented for the primary government itself since it is considered a discretely presented component unit.

The government-wide financial statements can be found on pages 13 and 14 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 22 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service and Capital Project Funds, all of which are considered major funds. Data from the remaining 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these

nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 15 to 20 of this report.

**Proprietary Funds** – The City maintains only one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both enterprise funds, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 21 to 25 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on page 26 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 to 55 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$6,770,919 as of December 31, 2016.

The significant portion of the City's net position (48%) reflects net position restricted for debt service and other functional activity purposes (\$3,262,249). Of this amount, \$2,540,867 is comprised of special assessment taxes receivable, which are restricted for debt service purposes.

The City's investment in capital assets (e.g., land, buildings and improvements, machinery and equipment), less any debt used to acquire those assets that is still outstanding, represents about 38% of the City's total net position at December 31, 2016. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

# **CITY OF CLEARWATER'S NET POSITION**

December 31, 2016

(with comparative amounts at December 31, 2015)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 5,299,472	\$ 5,667,550	\$ 700,195	\$ 536,174	\$ 5,999,667	\$ 6,203,724
Capital assets	<u>5,119,782</u>	<u>5,061,010</u>	<u>2,468,008</u>	<u>2,543,654</u>	<u>7,587,790</u>	<u>7,604,664</u>
Total assets	<u>10,419,254</u>	<u>10,728,560</u>	<u>3,168,203</u>	<u>3,079,828</u>	<u>13,847,457</u>	<u>13,808,388</u>
Deferred outflows of resources	<u>108,982</u>	<u>68,831</u>	<u>47,084</u>	<u>28,113</u>	<u>156,066</u>	<u>96,944</u>
Long-term liabilities	4,480,308	4,712,523	856,938	903,348	5,337,246	5,615,871
Other liabilities	<u>687,614</u>	<u>914,836</u>	<u>9,429</u>	<u>15,322</u>	<u>697,043</u>	<u>930,158</u>
Total liabilities	<u>5,167,922</u>	<u>5,627,359</u>	<u>866,367</u>	<u>918,670</u>	<u>6,034,289</u>	<u>6,546,029</u>
Deferred inflows of resources	<u>910,950</u>	<u>890,818</u>	<u>27,365</u>	<u>51,341</u>	<u>938,315</u>	<u>942,159</u>
Net position:						
Net investment in capital assets	739,526	653,724	1,856,464	1,847,378	2,595,990	2,501,102
Restricted	3,262,249	3,250,091	—	—	3,262,249	3,250,091
Unrestricted	<u>447,589</u>	<u>375,399</u>	<u>465,091</u>	<u>290,552</u>	<u>912,680</u>	<u>665,951</u>
Total net position	<u>\$ 4,449,364</u>	<u>\$ 4,279,214</u>	<u>\$ 2,321,555</u>	<u>\$ 2,137,930</u>	<u>\$ 6,770,919</u>	<u>\$ 6,417,144</u>

The City's overall financial position improved, with an increase in net position of \$353,775 for the current year. Of that increase, an increase of \$170,150 can be attributed to governmental activities and an increase of \$183,625 can be attributed to business-type activities. The balance of net position unrestricted of \$912,680 may be used to meet the City's ongoing obligations to citizens and creditors.

The net position of the business-type activities increased by \$183,625 for 2016 which can be principally attributed to increased operating revenues of \$177,863 and reduced interest costs of \$14,162.

**Analysis of the City's operations** – The following table provides a summary of the City's operations for the year ended December 31, 2016 and December 31, 2015.

## **CITY OF CLEARWATER'S CHANGES IN NET POSITION**

Year Ended December 31, 2016

(with comparative amounts for the year ended December 31, 2015)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 416,402	\$ 496,082	\$ 878,918	\$ 701,055	\$ 1,295,320	\$ 1,197,137

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating grants and contributions	\$ 282,793	\$ 250,192	\$ -	\$ -	\$ 282,793	\$ 250,192
Capital grants and contributions	773	17,477	-	-	773	17,477
General revenues:						
Property taxes	950,736	884,728	-	-	950,736	884,728
Sales taxes	403,030	398,192	-	-	403,030	398,192
Franchise fees	161,089	156,587	-	-	161,089	156,587
Investment earnings	<u>7,608</u>	<u>6,029</u>	<u>6,631</u>	<u>6,743</u>	<u>14,239</u>	<u>12,772</u>
Total revenues	<u>2,222,431</u>	<u>2,209,287</u>	<u>885,549</u>	<u>707,798</u>	<u>3,107,980</u>	<u>2,917,085</u>
Expenses:						
General government	373,397	424,855	-	-	373,397	424,855
Public safety	762,409	721,179	-	-	762,409	721,179
Highways and streets	215,678	254,886	-	-	215,678	254,886
Health and sanitation	163,190	147,115	-	-	163,190	147,115
Culture and recreation	438,297	414,270	-	-	438,297	414,270
Economic development	1,140	-	-	-	1,140	-
Interest on long-term debt	119,224	117,280	-	-	119,224	117,280
Water Utility	-	-	357,565	363,865	357,565	363,865
Sewer Utility	-	-	<u>323,305</u>	<u>312,226</u>	<u>323,305</u>	<u>312,226</u>
Total expenses	<u>2,073,335</u>	<u>2,079,585</u>	<u>680,870</u>	<u>676,091</u>	<u>2,754,205</u>	<u>2,755,676</u>
Increase (decrease) in net position before transfers	149,096	129,702	204,679	31,707	353,775	161,409
Transfers in (out)	<u>21,054</u>	<u>10,000</u>	<u>(21,054)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	170,150	139,702	183,625	21,707	353,775	161,409
Net position, beginning of year	<u>4,279,214</u>	<u>4,139,512</u>	<u>2,137,930</u>	<u>2,116,223</u>	<u>6,417,144</u>	<u>6,255,735</u>
Net position, end of year	<u>\$ 4,449,364</u>	<u>\$ 4,279,214</u>	<u>\$ 2,321,555</u>	<u>\$ 2,137,930</u>	<u>\$ 6,770,919</u>	<u>\$ 6,417,144</u>

Total revenues for the governmental activities increased by \$13,144 for the current year, or less than 1%.

The charges for services revenue category decreased by \$79,680, which can be attributed to a reduction in building permits and license fees of \$47,939 for 2016. In addition, revenues from farming operations contracted by the City decreased by \$5,973 and other miscellaneous revenues decreased by \$13,029.

Operating grants and contributions increased by \$32,601 for 2016 which can principally be attributed to revenues received from USD No. 264 of \$29,895 for the School Resource Officer. The USD funds approximately 67% of this position with the City absorbing the remaining costs.

Capital grants and contribution revenues decreased by \$16,704, which is primarily attributed to a reduction in contributions received for Sports Complex improvements during 2016.

Total general revenue sources increased by \$76,927 for 2016. Indications of an improving economic environment are suggested with sales taxes increasing \$4,832 and franchise fees increasing by \$4,502. Property taxes increased by \$66,088 as anticipated in the annual

budgeting process. Stagnant investment rates and available investment balances reflected only a \$1,579 increase in interest earnings for 2016.

Total expenses for the governmental activities decreased by \$6,250 for 2016. General government expenses decreased by \$51,458 with the major changes due to contract building inspection charges of \$17,763, contracted labor costs related to the interim City Administrator position of \$14,918 and bond issuance costs of \$7,896. Public safety expenses increased \$41,230 for 2016 due mainly to an increase in benefit costs of \$20,611, increased compensated absence costs of \$10,362 and depreciation expense for public safety functional assets increased \$28,336 for 2016. Highways and streets expenditures decreased by \$39,208 for 2016 with reduced salary costs of \$18,931 and street repair and maintenance materials and supply costs attributing to the remainder of the decrease. Culture and recreation expenses increased by \$24,027 with salaries and wages for park operations attributing to \$11,474 of the increase, compensated absence costs increasing by \$8,194 and depreciation expense increased by \$4,263 for 2016. Interest expense on long-term indebtedness increased by \$1,944 for 2016.

The business-type activity operating revenues increased \$177,863 for 2016 however, water consumption decreased about 3%. Both the water and sewer operations reflected a 1% rate increase for 2016. A debt service fee was also imposed for the sewer rates effective January 1, 2016, which ranges from \$11.25 to \$21.75 per month depending on average customer consumption. Personnel costs increased by \$73,173 but other operating costs decreased \$60,894. In addition, depreciation expense also increased by \$6,662 for 2016. The Water Utility net position decreased by \$13,377 and the Sewer Utility net position increased by \$197,002 for 2016.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds** – The focus of the City's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,265,486 and represent an increase from 2015 by \$75,705.

The General Fund is the primary operating fund of the City. At December 31, 2016 the total fund balance of the General Fund was \$726,138. As a measure of the General Fund's liquidity, the total fund balance represents approximately 44% of the total General Fund expenditures for 2016.

The Debt Service Fund reflects a decrease in fund balance of \$6,095 for the current year as compared to an increase of \$29,278 for the prior year. Debt Service Fund expenditures decreased \$52,551 for 2016 from the 2015 amount. Debt service expenditure reductions were the result of the general obligation bond refunding transaction during 2015 allowing the City to take advantage of the current low municipal bond interest rates.

The Capital Projects Fund balance at year-end is a deficit of \$101,260 as a result of temporary financing for the Park Glen Estates II residential subdivision which had \$510,000 of temporary improvement notes issued during 2015.

**Proprietary funds** – The City’s proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Water and Sewer Utility operating revenues reflect an increase of \$177,863 due to a 1% rate increase for both the water and sewer utilities. In addition, a debt service fee for the sewer utility was initiated in January 2016 to assist in financing debt incurred for sewer system improvements. The sewer debt service fee comprised \$163,351 of the increase in operating revenues of the utilities. Total operating expenses increased by \$18,941 for 2016. Unrestricted net position of the Water and Sewer Utility Funds were \$465,091 at year-end compared to \$290,552 for the prior year-end. Net position invested in capital assets at year-end was \$1,856,464, an increase of \$9,086.

**General Fund Budgetary Highlights** – The General Fund total actual revenues exceeded the total amount anticipated in the 2016 budget by \$166,482, or approximately 10%. Budgetary expenditures totaled \$1,702,275, which represented 82% of the budgeted expenditures for 2016. The result was an increase in budgetary basis fund balance for the General Fund in the amount of \$190,208 (compared to an increase in 2015 of \$79,183). The General Fund budgetary fund balance at year-end was \$660,621 with the 2016 budget anticipating a carryover balance of \$531,050.

## CAPITAL ASSETS

The City’s investment in capital assets as of December 31, 2016 amounts to \$7,587,790 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and construction work in process. Major capital asset events during the current fiscal year included the following:

- Total capital asset acquisitions for governmental activities totaled \$416,853 for 2016.
- Remodel and equipment for the City Council meeting room totaling \$22,352.
- Purchase of a new police vehicle and related communications equipment totaling \$35,116.
- Fire Department equipment consisting of self contained breathing apparatus and thermal imaging camera totaling \$24,834.
- EMS Department equipment consisting of a Lifepak 15 Monitor/Defibrillator at a cost of \$27,815.
- Sports Complex walking path at a cost of \$66,326.
- City Park and Sports Complex lighting, fencing, park benches and other improvements totaling \$45,370.
- A new mower for park maintenance costing \$8,505.
- Purchase of an 8’ x 10’ shed for the Senior Center at a cost of \$2,353.
- Construction work in process additions related to paving improvements in Park Glen Estates Phase I addition of \$49,450 and 135<sup>th</sup> Street of \$82,599.
- Construction work in process additions related to the sanitary sewer project of \$26,932.
- A used bucket truck for the utilities at a cost of \$20,000.

- Fire hydrants and water well motor improvements at a total cost of \$11,235.
- A new slope mower for the sewer utility at a cost of \$35,900.

**Capital Assets at Year-End  
Net of Accumulated Depreciation**  
December 31, 2016  
(with comparative amounts at December 31, 2015)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 580,732	\$ 580,732	\$ 64,369	\$ 64,369	\$ 645,101	\$ 645,101
Buildings	665,180	686,929	42,748	46,425	707,928	733,354
Improvements other than buildings	630,432	591,693	2,265,808	2,384,184	2,896,240	2,975,877
Machinery and equipment	475,131	462,900	95,083	48,676	570,214	511,576
Infrastructure	1,713,250	1,842,680	—	—	1,713,250	1,842,680
Construction work in progress	<u>1,055,057</u>	<u>896,076</u>	<u>—</u>	<u>—</u>	<u>1,055,057</u>	<u>896,076</u>
Total	<u>\$ 5,119,782</u>	<u>\$ 5,061,010</u>	<u>\$ 2,468,008</u>	<u>\$ 2,543,654</u>	<u>\$ 7,587,790</u>	<u>\$ 7,604,664</u>

Additional information on the City's capital assets can be found in Note 3 on pages 39 to 41 of this report.

### DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total general obligation bonded debt obligations outstanding of \$4,260,000 and outstanding commitments under capital lease arrangements of \$314,850. The Sewer Fund has outstanding commitments for \$611,544 of the outstanding general obligation bonds. During 2016 the City retired \$360,000 of general obligation bonds. The City entered into capital lease obligations of \$27,272 and retired \$77,330 of outstanding capitalized lease obligations during 2016. The City's total compensated absence liability at December 31, 2016 was \$109,467. The City's proportionate allocation of the unfunded net pension liability related to the Kansas Public Employees Retirement System (KPERS) was \$652,929 at December 31, 2016.

Additional information on the City's long-term debt can be found in Note 4 on pages 42 to 45 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2017 budget, General Fund revenues are budgeted to increase \$218,622, or approximately 13%, from the 2016 budgeted revenues. Expenditures are budgeted for 2017 at an increase of \$393,103, or 19%, from the 2016 budget. Ad valorem property taxes account for approximately 34% of the total revenue sources for the General Fund's 2017 budget. The total City tax levy for the 2017 budget is 56.061 mills compared to the 2016 budget of 53.999 mills. The General Fund decreased by .381 mills and the Debt Service Fund increased by 2.783 mills and all other City tax levy funds decreased a combined .340 mills. Certified assessed valuations, on which ad valorem property taxes are levied, increased \$296,680, or approximately 2% from the 2016

budget to the 2017 budget with the total assessed valuation for the City being \$14,929,658. One mill equals \$1 for every \$1,000 of assessed valuation.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk, at 129 E. Ross, P.O. Box 453, Clearwater, Kansas 67026, or call (620) 584-2311.



**(This page left blank intentionally.)**

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

## CITY OF CLEARWATER, KANSAS

## STATEMENT OF NET POSITION

December 31, 2016

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
<b><u>ASSETS</u></b>				
Cash and investments	\$ 1,811,690	\$ 618,280	\$ 2,429,970	\$ 81,561
Receivables:				
Property taxes	836,969	-	836,969	-
Special assessment taxes	2,540,867	-	2,540,867	-
Sales taxes	32,880	-	32,880	-
Franchise fees	32,637	-	32,637	-
Trade accounts, net	22,391	81,915	104,306	-
Restricted cash held by fiscal agent	10,000	-	10,000	-
Prepaid items	12,038	-	12,038	-
Capital assets:				
Land	580,732	64,369	645,101	-
Buildings	1,057,904	98,021	1,155,925	128,979
Improvements other than buildings	2,057,576	4,827,938	6,885,514	4,885
Infrastructure	2,843,411	-	2,843,411	-
Machinery and equipment	2,023,997	364,614	2,388,611	25,994
Construction work in process	1,055,057	-	1,055,057	-
Less accumulated depreciation	(4,498,895)	(2,886,934)	(7,385,829)	(91,011)
Total assets	10,419,254	3,168,203	13,587,457	150,408
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred outflows related to pensions	108,982	47,084	156,066	13,377
<b><u>LIABILITIES</u></b>				
Accounts payable	124,112	5,032	129,144	-
Accrued interest payable	43,502	4,397	47,899	-
Matured bonds and coupons payable	10,000	-	10,000	-
Temporary notes payable	510,000	-	510,000	-
Noncurrent liabilities:				
Due within one year	455,101	122,941	578,042	-
Due in more than one year	4,025,207	733,997	4,759,204	43,858
Total liabilities	5,167,922	866,367	6,034,289	43,858
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows of resources:				
Deferred property taxes receivable	836,969	-	836,969	-
Deferred inflows related to pensions	30,865	12,239	43,104	4,878
Premium on general obligation bonds	43,116	15,126	58,242	-
Total deferred inflows of resources	910,950	27,365	938,315	4,878
<b><u>NET POSITION</u></b>				
Net investment in capital assets	739,526	1,856,464	2,595,990	68,847
Restricted for:				
Debt service	3,021,048	-	3,021,048	-
General government	51,118	-	51,118	-
Public safety	63,926	-	63,926	-
Street maintenance	52,880	-	52,880	-
Culture and recreation	73,277	-	73,277	-
Unrestricted	447,589	465,091	912,680	46,202
Total net position	\$ 4,449,364	\$ 2,321,555	\$ 6,770,919	\$ 115,049

The accompanying notes are an integral part of the financial statements.

## CITY OF CLEARWATER, KANSAS

## STATEMENT OF ACTIVITIES

Year ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
<b>Governmental Activities:</b>								
General government	\$ 373,397	\$ 88,872	\$ -	\$ -	\$ (284,525)	\$ -	\$ (284,525)	\$ -
Public safety	762,409	67,430	126,483	-	(568,496)	-	(568,496)	-
Highways and streets	215,678	-	96,490	-	(119,188)	-	(119,188)	-
Health and sanitation	163,190	201,625	-	-	38,435	-	38,435	-
Culture and recreation	438,297	58,475	59,820	773	(319,229)	-	(319,229)	-
Economic development	1,140	-	-	-	(1,140)	-	(1,140)	-
Interest on long-term debt	119,224	-	-	-	(119,224)	-	(119,224)	-
Total Governmental Activities	<u>\$ 2,073,335</u>	<u>\$ 416,402</u>	<u>\$ 282,793</u>	<u>\$ 773</u>	<u>(1,373,367)</u>	<u>-</u>	<u>(1,373,367)</u>	<u>-</u>
<b>Business-Type Activities:</b>								
Water Utility	\$ 357,565	\$ 359,342	\$ -	\$ -	-	1,777	1,777	-
Sewer Utility	323,305	519,576	-	-	-	196,271	196,271	-
Total Business-Type Activities	<u>\$ 680,870</u>	<u>\$ 878,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>198,048</u>	<u>198,048</u>	<u>-</u>
<b>Component Unit:</b>								
Clearwater Public Library	<u>\$ 131,397</u>	<u>\$ 1,623</u>	<u>\$ 24,985</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,789)</u>
<b>General Revenues and Transfers:</b>								
General Revenues:								
Property taxes levied for:								
General purposes					819,176	-	819,176	-
Debt service					89,606	-	89,606	-
Capital improvements					41,954	-	41,954	-
Sales taxes					403,030	-	403,030	-
Franchise taxes					161,089	-	161,089	-
Payments from City of Clearwater					-	-	-	76,641
Investment earnings					7,608	6,631	14,239	329
Transfers in (out)					21,054	(21,054)	-	-
Total general revenues and transfers					<u>1,543,517</u>	<u>(14,423)</u>	<u>1,529,094</u>	<u>76,970</u>
Change in net position					170,150	183,625	353,775	(27,819)
Net position at beginning of year					<u>4,279,214</u>	<u>2,137,930</u>	<u>6,417,144</u>	<u>142,868</u>
Net position at end of year					<u>\$ 4,449,364</u>	<u>\$ 2,321,555</u>	<u>\$ 6,770,919</u>	<u>\$ 115,049</u>

The accompanying notes are an integral part of the financial statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF CLEARWATER, KANSAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and short-term investments	\$ 722,991	\$ 63,231	\$ 448,039	\$ 577,429	\$ 1,811,690
Cash held by fiscal agent	–	10,000	–	–	10,000
Property taxes receivable	657,617	78,229	–	101,123	836,969
Special assessment taxes receivable	–	2,540,867	–	–	2,540,867
Accounts receivable, net	19,815	–	–	2,576	22,391
Sales tax receivable	32,880	–	–	–	32,880
Franchise fees receivable	32,637	–	–	–	32,637
<b>Total assets</b>	<b><u>\$ 1,465,940</u></b>	<b><u>\$ 2,692,327</u></b>	<b><u>\$ 448,039</u></b>	<b><u>\$ 681,128</u></b>	<b><u>\$ 5,287,434</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ 82,185	\$ –	\$ 39,299	\$ 2,628	\$ 124,112
Matured bonds and coupons payable	–	10,000	–	–	10,000
Temporary notes payable	–	–	510,000	–	510,000
<b>Total liabilities</b>	<b><u>82,185</u></b>	<b><u>10,000</u></b>	<b><u>549,299</u></b>	<b><u>2,628</u></b>	<b><u>644,112</u></b>
Deferred inflows of resources:					
Deferred property taxes receivable	657,617	78,229	–	101,123	836,969
Deferred special assessment taxes receivable	–	2,540,867	–	–	2,540,867
<b>Total deferred inflows of resources</b>	<b><u>657,617</u></b>	<b><u>2,619,096</u></b>	<b><u>–</u></b>	<b><u>101,123</u></b>	<b><u>3,377,836</u></b>
Fund balances:					
Restricted for:					
General government	–	–	–	51,118	51,118
Public safety	–	–	–	63,926	63,926
Street maintenance	–	–	–	52,880	52,880
Culture and recreation	–	–	–	73,277	73,277
Debt service	–	63,231	–	–	63,231
Committed for:					
Capital improvements	–	–	–	239,213	239,213
Assigned for:					
General government	–	–	–	54,458	54,458
Public safety	–	–	–	18,250	18,250
Street maintenance and improvement	–	–	–	5,122	5,122
Culture and recreation	–	–	–	19,133	19,133
Unassigned	726,138	–	(101,260)	–	624,878
<b>Total fund balances</b>	<b><u>726,138</u></b>	<b><u>63,231</u></b>	<b><u>(101,260)</u></b>	<b><u>577,377</u></b>	<b><u>1,265,486</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 1,465,940</u></b>	<b><u>\$ 2,692,327</u></b>	<b><u>\$ 448,039</u></b>	<b><u>\$ 681,128</u></b>	<b><u>\$ 5,287,434</u></b>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

**December 31, 2016**

Total Governmental Fund Balances	\$ 1,265,486
----------------------------------	--------------

Amounts reported for governmental activities in the  
statement of net position are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported  
in the funds (capital assets net of accumulated  
depreciation):

Cost	\$ 9,618,677	
Accumulated depreciation	<u>(4,498,895)</u>	5,119,782

Pension contributions are reported as an expense in the governmental funds and as a deferred outflow of resources in the statement of net position	108,982
--	---------

Pension fundings are reported as a revenue in the governmental funds and as a deferred inflow of resources in the statement of net position	(30,865)
---	----------

Other assets not available to pay for current period expenditures and therefore are not reported in the governmental funds	
Prepaid items	12,038
Special assessments receivable	2,540,867

Long-term liabilities are not due and payable in the  
current period and therefore are not reported  
in the funds:

Accrued interest payable on general obligation bonds	43,502	
Deferred inflows of resources – premium on general obligation bonds payable	43,116	
Compensated absences payable	56,989	
General obligation bonds payable	3,648,456	
Capital lease obligations payable	314,850	
Net pension liability payable	<u>460,013</u>	<u>(4,566,926)</u>

Net Position of Governmental Activities	\$ <u>4,449,364</u>
---	---------------------

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS**

**Year ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 1,110,806	\$ 56,281	\$ –	\$ 160,846	\$ 1,327,933
Special assessment taxes	–	288,902	–	–	288,902
Intergovernmental	138,609	–	–	115,263	253,872
Licenses and permits	190,699	–	–	7,169	197,868
Charges for services	246,422	–	–	27,047	273,469
Fines and forfeitures	45,154	–	–	–	45,154
Use of money and property	48,268	715	665	2,647	52,295
Miscellaneous	23,482	–	–	15,033	38,515
<b>Total revenues</b>	<u>1,803,440</u>	<u>345,898</u>	<u>665</u>	<u>328,005</u>	<u>2,478,008</u>
<b>Expenditures:</b>					
Current:					
General government	361,363	–	–	7,000	368,363
Public safety	749,287	–	–	18,751	768,038
Highways and streets	38,576	–	–	65,807	104,383
Health and sanitation	163,190	–	–	–	163,190
Culture and recreation	278,991	–	–	147,655	426,646
Economic development	–	–	–	1,140	1,140
Capital improvements	–	–	158,981	–	158,981
Debt Service	70,756	363,047	–	26,085	459,888
<b>Total expenditures</b>	<u>1,662,163</u>	<u>363,047</u>	<u>158,981</u>	<u>266,438</u>	<u>2,450,629</u>
<b>Revenues over (under) expenditures</b>	<u>141,277</u>	<u>(17,149)</u>	<u>(158,316)</u>	<u>61,567</u>	<u>27,379</u>
<b>Other financing sources (uses):</b>					
Proceeds from capital lease obligation	27,272	–	–	–	27,272
Transfers in	93,807	11,054	–	76,256	181,117
Transfers out	(67,384)	–	–	(92,679)	(160,063)
<b>Total other financing sources (uses)</b>	<u>53,695</u>	<u>11,054</u>	<u>–</u>	<u>(16,423)</u>	<u>48,326</u>
<b>Revenues and other sources over expenditures and other uses</b>	<u>194,972</u>	<u>(6,095)</u>	<u>(158,316)</u>	<u>45,144</u>	<u>75,705</u>
<b>Fund balances (deficits), beginning of year</b>	<u>531,166</u>	<u>69,326</u>	<u>57,056</u>	<u>532,233</u>	<u>1,189,781</u>
<b>Fund balances, end of year</b>	<u>\$ 726,138</u>	<u>\$ 63,231</u>	<u>\$ (101,260)</u>	<u>\$ 577,377</u>	<u>\$ 1,265,486</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES TO THE STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2016**

Net Change in Fund Balances – Total Governmental Funds		\$ 75,705
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	\$ 416,853	
Depreciation	<u>(353,633)</u>	
Excess capital outlays over depreciation		63,220
In the statement of activities, gain or loss on the disposition of capital assets is reported whereas, in the governmental funds only cash received is reported		(4,448)
In the statement of activities, the issuance of capital lease obligations is reported as a liability whereas, in the governmental funds the proceeds from capital lease obligations are reported as an other an other financing source		(27,272)
In the statement of activities, the amortization of the bond premium is reported as a decrease to interest expense, whereas in the governmental fund, there is no amortization due to the total premium being reported as a financial resource		3,009
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		(14,943)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
General obligation bond payment	275,268	
Capital leases payment	<u>77,330</u>	
Total payments on long-term liabilities		352,598
Pension contributions is an expenditure in the governmental funds but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and outflows for pensions are only recorded in the statement of activities		(1,216)
Special assessments are not considered available to liquidate liabilities of the current period. However, they are recognized as revenue in the Statement of Activities as soon as the related Improvement is completed and the special assessments are levied		(255,577)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Prepaid items	(15,855)	
Compensated absences payable	<u>(5,071)</u>	
Total		<u>(20,926)</u>
Change in Net Position of Governmental Activities		<u>\$ 170,150</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS  
(continued on next page)**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 1,225,994	\$ 1,225,994	\$ 1,110,408	\$ (115,586)
Intergovernmental	98,000	98,000	138,609	40,609
Licenses, fees and permits	12,600	12,600	186,333	173,733
Charges for services	173,000	173,000	246,422	73,422
Fines and forfeitures	36,500	36,500	45,154	8,654
Use of money and property	75,620	75,620	48,268	(27,352)
Miscellaneous	15,480	15,480	22,347	6,867
Reimbursements	—	—	1,135	1,135
Transfers in	<u>88,807</u>	<u>88,807</u>	<u>93,807</u>	<u>5,000</u>
 Total revenues and other sources	 <u>1,726,001</u>	 <u>1,726,001</u>	 <u>1,892,483</u>	 <u>166,482</u>
Expenditures, encumbrances and other uses:				
General government:				
Administration	267,835	267,835	355,844	(88,009)
Personnel development	342,729	342,729	5,519	337,210
Debt service	<u>49,500</u>	<u>49,500</u>	<u>34,112</u>	<u>15,388</u>
 Total general government	 <u>660,064</u>	 <u>660,064</u>	 <u>395,475</u>	 <u>264,589</u>
Public safety:				
Police	568,023	568,023	507,627	60,396
Emergency volunteer services – ambulance	94,542	94,542	80,776	13,766
Emergency volunteer services – fire	67,182	67,182	56,793	10,389
Municipal Court	82,602	82,602	76,820	5,782
Debt service	<u>52,927</u>	<u>52,927</u>	<u>36,643</u>	<u>16,284</u>
 Total public safety	 <u>865,276</u>	 <u>865,276</u>	 <u>758,659</u>	 <u>106,617</u>

**CITY OF CLEARWATER, KANSAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS**

(continued from previous page)

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Highways and streets:				
Street lights	\$ 25,750	\$ 25,750	\$ 22,430	\$ 3,320
Health and sanitation:				
Sanitation	143,950	143,950	163,190	(19,240)
Public Works:				
Shop	19,130	19,130	16,147	2,983
Culture and recreation:				
Parks	175,649	175,649	167,954	7,695
Aquatic Center	79,326	79,326	62,108	17,218
Community/Senior Center	31,286	31,286	34,535	(3,249)
Historical museum	6,425	6,425	7,041	(616)
Library	8,330	8,330	7,352	978
Total culture and recreation	301,016	301,016	278,990	22,026
Transfers out	67,384	67,384	67,384	—
Total expenditures, encumbrances and other uses	2,082,570	2,082,570	1,702,275	380,295
Revenues and other sources over (under) expenditures, encumbrances and other uses	(356,569)	(356,569)	190,208	546,777
Fund balance, beginning of year	356,569	356,569	470,413	113,844
Fund balance, end of year	\$ —	\$ —	\$ 660,621	\$ 660,621

The accompanying notes are an integral  
part of the financial statements.

**(This page left blank intentionally.)**

**CITY OF CLEARWATER, KANSAS**  
**STATEMENT OF NET POSITION – ALL ENTERPRISE FUNDS**

**December 31, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Total Enterprise Funds</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 226,317	\$ 391,963	\$ 618,280
Trade accounts receivable	<u>29,601</u>	<u>52,314</u>	<u>81,915</u>
Total current assets	<u>255,918</u>	<u>444,277</u>	<u>700,195</u>
Noncurrent assets:			
Capital assets:			
Land	15,450	48,919	64,369
Buildings	82,527	15,494	98,021
Improvements other than buildings	1,756,738	3,071,200	4,827,938
Machinery	<u>181,171</u>	<u>183,443</u>	<u>364,614</u>
	2,035,886	3,319,056	5,354,942
Less accumulated depreciation	<u>(1,135,522)</u>	<u>(1,751,412)</u>	<u>(2,886,934)</u>
Capital assets, net	<u>900,364</u>	<u>1,567,644</u>	<u>2,468,008</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	<u>26,948</u>	<u>20,136</u>	<u>47,084</u>
Total assets	<u>1,183,230</u>	<u>2,032,057</u>	<u>3,215,287</u>

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 4,305	\$ 727	\$ 5,032
Compensated absences payable	29,204	3,479	32,683
Current portion of general obligation bonds payable	–	90,258	90,258
Accrued interest payable	–	4,397	4,397
Total current liabilities	<u>33,509</u>	<u>98,861</u>	<u>132,370</u>
Noncurrent liabilities:			
Long-term portion of compensated absences payable	16,742	3,053	19,795
Long-term portion of general obligation bonds payable	–	521,286	521,286
Net pension liability	<u>112,300</u>	<u>80,616</u>	<u>192,916</u>
Total other liabilities	<u>129,042</u>	<u>604,955</u>	<u>733,997</u>
Total liabilities	<u>162,551</u>	<u>703,816</u>	<u>866,367</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	7,359	4,880	12,239
Premium general obligation bonds	–	15,126	15,126
Total deferred inflows of resources	<u>7,359</u>	<u>20,006</u>	<u>27,365</u>
<b><u>NET POSITION</u></b>			
Net position:			
Invested in capital assets, net	900,364	956,100	1,856,464
Unrestricted	<u>112,956</u>	<u>352,135</u>	<u>465,091</u>
Total net position	<u>\$ 1,013,320</u>	<u>\$ 1,308,235</u>	<u>\$ 2,321,555</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION –**  
**ALL ENTERPRISE FUNDS**

**Year ended December 31, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 357,668	\$ 518,623	\$ 876,291
Miscellaneous	<u>1,674</u>	<u>953</u>	<u>2,627</u>
Total operating revenues	<u>359,342</u>	<u>519,576</u>	<u>878,918</u>
Operating expenses:			
Personnel services	216,028	180,756	396,784
Contractual services	47,594	25,570	73,164
Commodities	54,784	4,487	59,271
Depreciation	<u>39,159</u>	<u>103,622</u>	<u>142,781</u>
Total operating expenses	<u>357,565</u>	<u>314,435</u>	<u>672,000</u>
Operating income	<u>1,777</u>	<u>205,141</u>	<u>206,918</u>
Nonoperating revenues (expense):			
Interest income	900	1,186	2,086
Interest expense	—	(8,870)	(8,870)
Accretion of bond premium	<u>—</u>	<u>4,545</u>	<u>4,545</u>
Total nonoperating revenue (expense)	<u>900</u>	<u>(3,139)</u>	<u>(2,239)</u>
Income before transfers	2,677	202,002	204,679
Transfers out	<u>(16,054)</u>	<u>(5,000)</u>	<u>(21,054)</u>
Change in net position	(13,377)	197,002	183,625
Net position, beginning of year	<u>1,026,697</u>	<u>1,111,233</u>	<u>2,137,930</u>
Net position, end of year	<u>\$1,013,320</u>	<u>\$1,308,235</u>	<u>\$ 2,321,555</u>

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS**  
(continued on next page)

**Year ended December 31, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 356,111	\$ 501,834	\$ 857,945
Cash payments for materials and services	(107,357)	(30,335)	(137,692)
Cash payments to employees for services	(218,117)	(178,747)	(396,864)
Other cash receipts	<u>1,674</u>	<u>953</u>	<u>2,627</u>
Net cash provided by operating activities	<u>32,311</u>	<u>293,705</u>	<u>326,016</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(21,235)	(45,900)	(67,135)
Principal paid on general obligation bonds	–	(84,732)	(84,732)
Interest paid on debt	<u>–</u>	<u>(9,506)</u>	<u>(9,506)</u>
Net cash provided (used) by capital and related financing activities	<u>(21,235)</u>	<u>(140,138)</u>	<u>(161,373)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(16,054)</u>	<u>(5,000)</u>	<u>(21,054)</u>
Cash flows from investing activities:			
Interest income	<u>900</u>	<u>1,186</u>	<u>2,086</u>
Net increase in cash and cash equivalents	(4,078)	149,753	145,675
Cash and cash equivalents, beginning of year	<u>230,395</u>	<u>242,210</u>	<u>472,605</u>
Cash and cash equivalents, end of year	<u>\$ 226,317</u>	<u>\$ 391,963</u>	<u>\$ 618,280</u>

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS**  
(continued from previous page)

**Year ended December 31, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income	\$ 1,777	\$ 205,141	\$ 206,918
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	39,159	103,622	142,781
Changes in assets and liabilities:			
Increase in accounts receivable	(1,557)	(16,789)	(18,346)
Increase in deferred outflows of resources	(10,468)	(8,503)	(18,971)
Decrease in accounts payable	(4,979)	(278)	(5,257)
Decrease in deferred outflows of resources	(11,206)	(8,225)	(19,431)
Increase in net pension liability	23,236	17,748	40,984
Increase (decrease) in compensated absences payable	<u>(3,651)</u>	<u>989</u>	<u>(2,662)</u>
Net cash provided by operating activities	<u>\$ 32,311</u>	<u>\$ 293,705</u>	<u>\$ 326,016</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF CLEARWATER, KANSAS**  
**STATEMENT OF FIDUCIARY NET POSITION –**  
**FIDUCIARY FUNDS**

**December 31, 2016**

	<u>Agency Funds</u>
Assets:	
Cash including investments	\$ 36,346
Liabilities:	
Accrued liabilities	<u>36,346</u>
Net position	<u>\$     —</u>

The accompanying notes are an  
integral part of the financial statements.

**CITY OF CLEARWATER, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water and sewer utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Clearwater, Kansas (the primary government) and its component unit. The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely presented component unit**

The component unit columns in the combined financial statements include the financial data of the accounts managed by the Clearwater Public Library Board. It is reported in a separate column to emphasize that it is legally separate from the City however, the governing body of this component unit is appointed by the Mayor with approval by the City Council. In addition, the City provides facilities and performs most accounting functions for the Library. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Library Board also receives funding through state assistance programs and community donations. The Library operations are accounted for using the same principles as the governmental fund types of the City. The Library Board does not issue separate audited financial statements.

**Blended component unit**

The Clearwater Public Building Commission was established in October 1999 by Ordinance of the Clearwater City Council. The Clearwater Public Building Commission is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Clearwater Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and facilities. The financial activities of the Clearwater Public Building Commission are reflected in the Clearwater Public Building Commission special revenue fund.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Basis of presentation**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The City's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

### **Government-wide financial statements**

The government-wide financial statements, consisting of the statement of net position and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net position presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

### **Fund financial statements**

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

### **Measurement focus and basis of accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The City reports the following major governmental funds:

**General Fund** – The General Fund is used to account for and report all financial resources not accounted for in another fund.

**Debt Service Fund** – The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

**Capital Projects Fund** – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

**Water Utility Fund** – The Water Utility Fund is used to account for the operation of the municipal water utility including water supply, treatment and distribution.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Sewer Utility Fund** – The Sewer Utility Fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

The City also reports the following fund types:

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects

**Agency Funds** – The agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments. The City reports a Payroll Withholding Tax fund to account for withholdings from City employees' that are due to others.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures, charges for services and other revenue are generally not susceptible to accrual and are recorded when received in cash.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Cash and short-term investments**

Cash and short-term investments include amounts in demand deposit, money market accounts and certificates of deposit. Investments are carried at fair value. Deposits are reported at their carrying amount, which approximates fair value. For purposes of the statement of cash flows, the Water Utility Fund and Sewer Utility Fund consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. Interest income is credited to the various funds of the City based on average cash balances available for investment.

### **Property taxes and other receivables**

In accordance with governing State statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on January 1 and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Recognized State-shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and state grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

### **Special assessments receivable**

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's Debt Service Fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Debt Service Fund. Special assessment taxes are levied over a ten or fifteen-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Debt Service Fund and accrued as revenues in the Statement Net Position. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as deferred inflows of resources in the funds statement.

### **Sales tax receivable**

Sedgwick County imposes a 1% countywide local sales tax that is collected by the State and remitted to the City on a monthly basis. The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

### **Franchise fees receivable**

Franchise fees are remitted to the City on a monthly, quarterly or annual basis. Such fees are based on gross receipts by the franchisor for the remittance period. At year-end, the franchise fees based on gross receipts during the City's fiscal year have been accrued as revenues since they are considered available to liquidate expenditures of the current period.

### **Inventories and prepaid items**

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

### **Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$500 or more. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include only those assets acquired subsequent to January 1, 2004. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	40 to 50 years
Improvements other than buildings	20 to 40 years
Infrastructure (streets)	20 years
Machinery and equipment	3 to 20 years

Amortization of capital leases is included in depreciation.

### **Revenue recognition for utility funds**

Revenue is recorded as billed to customers on a cycle basis. Residential and commercial customers are billed monthly. Unbilled service receivables are not accrued at year-end and are not significant to the enterprise fund types.

### **Compensated absences**

The City's policies regarding vacation permits full-time employees with one to four years service to earn 10 days vacation pay, five to nine years of service earn 15 days vacation pay and ten or more years of service earn vacation pay at the rate of twenty days per year. Vacation time must be taken within one year of accrual. Sick leave is allowed to accumulate at the rate of one day for each full month of service with a maximum accumulation of 60 days. At termination, an employee shall be compensated for all accumulated vacation pay. All accumulated sick leave is canceled upon termination. The liabilities for accrued compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

### **Accrued liabilities and long-term debt**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

General obligation bond payments from the Sewer Utility enterprise fund are deducted from the liability as made.

The present value of net minimum capitalized lease payments is recorded as expenditures in the applicable governmental fund and subsequent lease payments are accounted for as debt service expenditures.

### **Pension plan**

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System, which is a cost sharing multi-employer statewide defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

### **Concentration of credit risk**

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City.

### **Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### **Deferred outflows/inflows of resources**

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City has identified changes in the pension liability proportion and differences between expected and actual experience as financial items that meet the definition of deferred outflows of resources. The City identified four items that met the definition of a deferred inflow of resources. These items include property taxes receivable, special assessment taxes receivable, premium received on the sale of general obligation bonds and pension related items of differences between expected and actual experience, differences between projected and actual investment earnings, changes in assumptions and changes in pension liability proportion. These items are reclassified as deferred inflows of resources and will be recognized in the period that the amounts become available.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Net position flow assumption**

The government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the government-wide financial statements, equity is reflected as net position and classified into three components:

- Invested in capital assets, net of related debt – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted – consisting of net position items with constraints place on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – all other net position items that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

### **Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

In the governmental funds financial statements, equity is classified into potential five components:

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.
- Unassigned – this represents the residual classification for the General Fund.

### **Budgetary principles**

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. The Police Reserves, Donations Ambulance, Donations Crimestoppers, Donations Fire, Donations Park, Donations Historical Society, Donations Senior Center Building, Law Enforcement Trust and Clearwater Public Building Commission funds are exempt from legally adopted budgetary requirements. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments to the 2016 originally adopted budget by the City Council.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year except for capital project fund appropriations, which are carried forward until such time as the project is completed or terminated. Accordingly, the actual data presented in the budgetary comparison statements differ from the data presented in the financial statements prepared in accordance with generally accepted accounting principles.

Controls over spending in funds that are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **2. DEPOSITS AND INVESTMENTS**

### **Deposits**

K.S.A. 9-1401 establishes the depositories that may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

## 2. DEPOSITS AND INVESTMENTS (continued)

### Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2016, is as follows:

Emprise Bank	100%
--------------	------

### Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2016.

At year-end, the carrying amount of the City's deposits was \$2,411,808 with the bank balances of such accounts being \$2,525,699. Of the bank balances, \$272,879 was covered by federal depository insurance and the remaining balance of \$2,252,820 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its bank. The fair value of the pledged securities held by the City's custodial bank was \$2,527,822 at December 31, 2016.

The City's discretely presented component unit cash and investments at December 31, 2016 consisted of checking, savings and certificate of deposit accounts. At year-end, the carrying amount and the bank balances of the City's discretely presented component unit deposits were \$81,561, which were entirely covered by federal depository insurance.

The City's blended component unit cash and investments at December 31, 2016 consisted of a money market checking account. At year-end, the carrying amount and the bank balances of the City's blended component unit deposits were \$54,458, which were entirely covered by federal depository insurance.

A reconciliation of cash and investments as reported in the Statement of Net Position at December 31, 2016 is as follows:

Carrying amount of deposits – City	\$ 2,411,808
Cash on hand	50
Carrying amount of deposits held by fiscal agent	10,000
Carrying amount of deposits – blended component unit	54,458
Carrying amount of deposits – discretely presented component unit	<u>81,561</u>
Total	<u>\$ 2,557,877</u>

## 2. DEPOSITS AND INVESTMENTS (continued)

Amounts per Statement of Net Position:

Cash and investments	\$ 2,429,970
Restricted cash held by fiscal agent	10,000
Cash and investments per Statement of Fiduciary Net Position	36,346
Cash and investments – discretely presented component unit	<u>81,561</u>
<b>Total</b>	<b><u>\$ 2,557,877</u></b>

## 3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2016 is as follows:

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2016</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 580,732	\$ —	\$ —	\$ 580,732
Construction work In progress	<u>896,076</u>	<u>158,981</u>	<u>—</u>	<u>1,055,057</u>
	<u>1,476,808</u>	<u>158,981</u>	<u>—</u>	<u>1,635,789</u>
Capital assets being depreciated:				
Buildings	1,055,551	2,353	—	1,057,904
Improvements other than buildings	1,929,585	130,262	2,271	2,057,576
Infrastructure	2,843,411	—	—	2,843,411
Machinery and equipment	<u>1,910,186</u>	<u>125,257</u>	<u>11,446</u>	<u>2,023,997</u>
Total capital assets being depreciated	<u>7,738,733</u>	<u>257,872</u>	<u>13,717</u>	<u>7,982,888</u>



### 3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2016</u>
Less accumulated depreciation for:				
Buildings	\$ 368,622	\$ 24,102	\$ —	\$ 392,724
Improvements other than buildings	1,337,892	90,506	1,254	1,427,144
Infrastructure	1,000,731	129,430	—	1,130,161
Machinery and equipment	<u>1,447,286</u>	<u>109,595</u>	<u>8,015</u>	<u>1,548,866</u>
Total accumulated depreciation	<u>4,154,531</u>	<u>353,633</u>	<u>9,269</u>	<u>4,498,895</u>
Total capital assets being depreciated, net	<u>3,584,202</u>	<u>(95,761)</u>	<u>4,448</u>	<u>3,483,993</u>
Governmental activities capital assets, net	<u>\$ 5,061,010</u>	<u>\$ 63,220</u>	<u>\$ 4,448</u>	<u>\$ 5,119,782</u>

#### Business-Type Activities:

Capital assets, not being depreciated				
Land	<u>\$ 64,369</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 64,369</u>
Capital assets being depreciated:				
Buildings	98,021	—	—	98,021
Improvements other than buildings	4,825,440	2,498	—	4,827,938
Machinery and equipment	<u>326,810</u>	<u>64,637</u>	<u>26,833</u>	<u>364,614</u>
Total capital assets being depreciated	<u>5,250,271</u>	<u>67,135</u>	<u>26,833</u>	<u>5,290,573</u>

### 3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2016</u>
Less accumulated depreciation for:				
Buildings	\$ 51,596	\$ 3,677	\$ —	\$ 55,273
Improvements other than buildings	2,441,256	120,874	—	2,562,130
Machinery and equipment	<u>278,134</u>	<u>18,230</u>	<u>26,833</u>	<u>269,531</u>
Total accumulated depreciation	<u>2,770,986</u>	<u>142,781</u>	<u>26,833</u>	<u>2,886,934</u>
Total capital assets being depreciated, net	<u>2,479,285</u>	<u>(75,646)</u>	<u>—</u>	<u>2,403,639</u>
Business-type activities capital assets, net	<u>\$ 2,543,654</u>	<u>\$ (75,646)</u>	<u>\$ —</u>	<u>\$ 2,468,008</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 13,315
Public safety	90,039
Highways and streets (including depreciation of infrastructure assets)	127,491
Culture and recreation	<u>122,788</u>
Total depreciation expense – governmental activities	<u>\$ 353,633</u>
Business-type activities:	
Water Utility	\$ 39,159
Sewer Utility	<u>103,622</u>
Total depreciation expense – business-type activities	<u>\$ 142,781</u>

#### 4. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions of the City for the year ended December 31, 2016:

	Outstanding January 1, 2016	Additions	Deletions	Outstanding December 31, 2016	Due Within One Year
<b><u>Governmental activities</u></b>					
General obligation bonds	\$3,923,724	\$ —	\$ 275,268	\$ 3,648,456	\$ 339,742
Capital lease obligations	364,908	27,272	77,330	314,850	70,968
Compensated absences	51,918	47,254	42,183	56,989	44,391
Net pension liability	<u>371,973</u>	<u>113,840</u>	<u>25,800</u>	<u>460,013</u>	<u>—</u>
Total long-term liabilities – Governmental activities	<u>\$4,712,523</u>	<u>\$ 188,366</u>	<u>\$ 420,581</u>	<u>\$ 4,480,308</u>	<u>\$ 455,101</u>
<b><u>Business-type activities</u></b>					
General obligation bonds	\$ 696,276	\$ —	\$ 84,732	\$ 611,544	\$ 90,258
Compensated absences	55,140	31,814	34,476	52,478	32,683
Net pension liability	<u>151,932</u>	<u>52,320</u>	<u>11,336</u>	<u>192,916</u>	<u>—</u>
Total long-term liabilities – Business-Type activities	<u>\$ 903,348</u>	<u>\$ 84,134</u>	<u>\$ 130,544</u>	<u>\$ 856,938</u>	<u>\$ 122,941</u>

#### **General obligation bonds**

General obligation bonds payable are serial bonds to be retired through calendar year 2034. At December 31, 2016 the outstanding general obligation bonds consist of the following:

	Interest Rates	Bonds Outstanding
General Obligation Refunding Bonds, Series 2012	2.00 – 3.00%	\$ 1,660,000
General Obligation Bonds, Series 2013	1.55 – 3.00%	370,000
General Obligation Bonds, Series 2014	2.25 – 4.20%	745,000
General Obligation Bonds, Series A 2015	1.50 – 3.00%	940,000
General Obligation Refunding Bonds, Series B 2015	0.80 – 2.20%	<u>545,000</u>
Total outstanding general obligation bonds		4,260,000
Less debt service from enterprise funds		<u>(611,544)</u>
Total general obligation bonds payable from debt service fund		<u>\$ 3,648,456</u>

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes.

#### 4. LONG-TERM DEBT (continued)

The Series 2012 bonds maturing on October 1 in the years 2022 and thereafter, at the option of the issuer, will be subject to redemption and payment prior to their stated maturity on October 1, 2021, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2013 bonds maturing on October 1 in the years 2021, and thereafter, will be subject to redemption and payment prior to their stated maturity on October 1, 2020, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2014 bonds maturing on October 1 in the years 2024, and thereafter, will be subject to redemption and payment prior to their stated maturity on October 1, 2023, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series A 2015 bonds maturing on October 1 in the years 2025, and thereafter, will be subject to redemption and payment prior to their state maturity on October 1, 2024, and thereafter, as whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series B 2015 bonds maturing on October 1 in the years 2023, and thereafter, will be subject to redemption and payment prior to their state maturity on October 1, 2022, and thereafter, as whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

Annual debt service requirements to maturity for general obligation bonds to be retired from the Debt Service Fund are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 339,742	\$ 118,195	\$ 457,937
2018	377,900	86,613	464,513
2019	412,374	77,836	490,210
2020	412,374	68,084	480,458
2021	423,690	58,286	481,976
2022	379,478	47,910	427,388
2023	322,898	38,955	361,853
2024	170,000	31,132	201,132
2025	170,000	26,493	196,493
2026	180,000	21,807	201,807
2027	80,000	16,465	96,465
2028	80,000	14,075	94,075
2029	45,000	11,538	56,538
2030	45,000	9,962	54,962

#### 4. LONG-TERM DEBT (continued)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2031	\$ 50,000	\$ 8,275	\$ 58,275
2032	50,000	6,400	56,400
2033	55,000	4,400	59,400
2034	<u>55,000</u>	<u>2,200</u>	<u>57,200</u>
	<u>\$ 3,648,456</u>	<u>\$ 648,626</u>	<u>\$ 4,297,082</u>

##### General obligation bonds payable from enterprise funds

Remaining debt service requirements for general obligation bonds to be paid from the Sewer Fund are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 90,258	\$ 17,589	\$ 107,847
2018	92,100	14,881	106,981
2019	97,626	12,118	109,744
2020	97,626	9,189	106,815
2021	101,310	6,261	107,571
2022	75,522	3,221	78,743
2023	<u>57,102</u>	<u>1,428</u>	<u>58,530</u>
	<u>\$ 611,544</u>	<u>\$ 64,687</u>	<u>\$ 676,231</u>

##### Capitalized lease obligations

During 2016, the City entered into a lease agreement for the purchase of a police vehicle. The lease requires monthly lease payments of \$793, including interest, through February 2019. The lease is being serviced through the City's General Fund.

During 2013, the City entered into two lease agreements for the purchase of two police vehicles. The leases require monthly lease payments of \$799 and \$856, including interest, through July 2016. The leases are being serviced through the City's General Fund.

The City also entered into a lease agreement for the financing of a new ambulance during 2013. The lease agreement provides for semiannual payments of \$11,543, including interest, through August 2019. The lease is being serviced through the City's Emergency Medical Services Fund.

During 2008, the City entered into a lease agreement for the purchase of land for an industrial park. The lease requires annual lease payments of \$34,112, including interest, through March 2023. This lease is being serviced through the City's General Fund.

#### 4. LONG-TERM DEBT (continued)

During 2008, the City entered into a lease agreement for the purchase of a fire truck. The lease requires monthly lease payments of \$1,494, including interest, through January 2019. This lease is being serviced through the City's General Fund.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The annual requirements to amortize the capital lease obligations outstanding at December 31, 2016, including interest payments, are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Industrial</u> <u>Park</u> <u>Land</u>	<u>Ambu-</u> <u>lance</u>	<u>Fire</u> <u>Truck</u>	<u>Police</u> <u>Vehicle</u>	<u>Total</u> <u>Capital</u> <u>Leases</u>
2017	\$ 34,112	\$ 23,085	\$ 17,927	\$ 9,516	\$ 84,640
2018	34,112	23,085	17,473	9,516	84,186
2019	34,112	23,085	—	1,584	58,781
2020	34,112	—	—	—	34,112
2021	34,112	—	—	—	34,112
2022	34,112	—	—	—	34,112
2023	<u>34,112</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,112</u>
Total minimum lease payments	238,784	69,255	35,400	20,616	364,055
Less amount representing interest	<u>(44,128)</u>	<u>(2,455)</u>	<u>(1,909)</u>	<u>(713)</u>	<u>(49,205)</u>
Present value of minimum lease payments	<u>\$ 194,656</u>	<u>\$ 66,800</u>	<u>\$ 33,491</u>	<u>\$ 19,903</u>	<u>\$ 314,850</u>

The cost and accumulated depreciation of the equipment under capital lease at December 31, 2016 is as follows:

	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>
Industrial park land	\$ 345,000	\$ —
Ambulance	154,576	61,832
Fire truck	166,950	75,132
Police vehicles	27,272	9,091

#### Compensated absences

The governmental funds portion of outstanding compensated absence liabilities is principally liquidated from resources of the General Fund.

## 5. TEMPORARY NOTES PAYABLE

Kansas law permits the issuance of temporary notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. Prior to the issuance of the temporary notes, the governing body must take necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. No temporary notes were issued or retired during 2016. Temporary notes outstanding at December 31, 2016 are payable as follows:

	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
Capital Project Fund:			
General Obligation Temporary Notes, Series 2015	1.25%	\$ 510,000	7-1-18

During 2016, the temporary note activity for the Capital Improvement Projects Fund was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Park Glen Estates Phase I	\$ 510,000	\$ –	\$ –	\$ 510,000

## 6. PENSION PLAN

### Plan description

The City participates in the Kansas Public Employees Retirement System, a cost sharing multiple employer defined benefit pension plan. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74-4901 *et. seq.*:

- Public employees, which includes:
  - State/School employees
  - Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the Local Employees Group.

## **6. PENSION PLAN (continued)**

KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, by calling 1-888-275-5737 or via KPERS website at [www.kpers.org](http://www.kpers.org).

### **Benefits provided**

KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. Members with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with tens years of credited service, or whenever a member's combined age and years of credited service equal 85 "points".

Monthly retirement benefits are based on statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

### **Contributions**

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.



## **6. PENSION PLAN (continued)**

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employees, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.1% of total payroll for the fiscal year ended June 30, 2015.

The actuarially determined employer contribution rates and the statutory contribution rates for KPERS employees (not including the 1% contribution rate for the Death and Disability Program) are 9.18%. Member contribution rates as a percentage of eligible compensation for the fiscal year 2016 are 6% for KPERS employees. The 2015 Legislature passed and the Governor approved Senate Bill 228, which authorized the issuance of \$1 billion in pension obligation bonds. This legislation reset the State/School employer rate to 10.91% from the actuarially determined employer rate of 14.95%.

### **Employer Allocations**

Although KPERS administers one cost sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group as of June 30, 2016 are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion was 0.042544%, which was an increase of 0.002644% from its proportion measured at June 30, 2015.

### **Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

At December 31, 2016, the City reported a liability of \$652,929 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

## 6. PENSION PLAN (continued)

For the year ended December 31, 2016, the City recognized pension expense of \$61,340. At December 31, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contributions subsequent to the measurement date	\$ 36,683	\$ —
Differences between expected and actual experience	3,820	11,879
Net difference between projected and actual earnings on pension plan investments	77,749	—
Changes in assumptions	—	6,157
Changes in proportion	<u>37,814</u>	<u>25,068</u>
Total	<u>\$ 156,066</u>	<u>\$ 43,104</u>

The City reported \$36,683 as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 8,338
2018	8,338
2019	31,905
2020	22,762
2021	4,182
Thereafter	—

### Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	— 3.0 percent
Wage inflation	— 4.0 percent
Salary increases	— 4.00 percent to 16.00 percent, including inflation
Investment rate of return	— 8.00 percent, net of investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

## 6. PENSION PLAN (continued)

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.00%	6.80%
Fixed Income	13.00	1.25
Yield Driven	8.00	6.55
Real Return	11.00	1.71
Real Estate	11.00	5.05
Alternatives	8.00	9.85
Short-Term Investments	<u>2.00</u>	(0.25)
Total	<u>100.00%</u>	

### Discount rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments

## 6. PENSION PLAN (continued)

was applied to all periods of projected benefit payments to determine the total pension liability.

Legislation in the 2015 session authorized the issuance of \$1.0 billion in net bond proceeds to improve the funding of the State/School Group. The bonds were issued in August 2015 and deposited into the trust fund on August 20, 2015.

### Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the Pension Plan as of June 30, 2016 calculated using the discount rate of 8.00%, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>June 30, 2016</u>		
	<u>1.00% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1.00% Increase (9.00%)</u>
Amount due within one year	\$ 902,126	\$ 658,168	\$ 451,311

### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

## 7. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from data presented in accordance with generally accepted accounting principles (GAAP) for the governmental fund types. The following reconciliation's are presented to provide a correlation between the different bases of reporting:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>
GAAP Fund Balance at December 31, 2016	\$ 726,138	\$ 63,231	\$ 577,377
Adjustments:			
Accrued sales tax revenues	(32,880)	—	—
Accrued franchise fee revenues	(32,637)	—	—

## 7. BUDGETARY DATA (continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>
Fund balances not subject to the Kansas budget law	\$ —	\$ —	\$ (167,254)
Budgetary Fund Balance at December 31, 2016	<u>\$ 660,621</u>	<u>\$ 63,231</u>	<u>\$ 410,123</u>

## 8. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2016, individual capital project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

	<u>Project authorizations</u>	<u>Expenditures project inception to December 31, 2016</u>
Park Glen Estates Phase 1 Improvement Project	\$ 540,000	417,739
135 <sup>th</sup> Street Project	370,000	100,565
Sewer Improvement Project	650,000	512,830

## 9. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2016 is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Funds:		
General	\$ 93,807	\$ 67,384
Debt Service	11,054	—
Water Utility	—	16,054
Water Utility	<u>—</u>	<u>5,000</u>
Total major funds	<u>104,861</u>	<u>88,438</u>
Nonmajor Funds:		
Special Highway	—	5,122

## 9. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Employee Benefits	\$ —	\$ 78,807
Special Parks and Recreation	40,000	3,750
Clearwater Public Building Commission		5,000
Capital Project – Equipment Reserve	<u>36,256</u>	<u>—</u>
Total nonmajor funds	<u>76,256</u>	<u>92,679</u>
Total transfers	<u>\$ 181,117</u>	<u>\$ 181,117</u>

Routine transfers included \$5,000 each from the Water Utility Fund and Sewer Utility Fund to the General Fund to provide for financial assistance in administrative activities. In addition, the Water Utility Fund made nonroutine transfers in the amount of \$11,054 to the Debt Service Fund to assist with debt service payments.

The General Fund received nonroutine transfers from the Employee Benefits Fund in the amount of \$78,807 related to the discontinuance of the Employee Benefits Fund. The General Fund also received nonroutine transfers from the Clearwater Public Building Commission to assist in financing certain Americans with Disabilities Act (ADA) improvements.

Nonroutine transfers from the General, Special Highway and Special Parks and Recreation Funds in the amounts of \$27,384, \$5,122 and \$3,750, respectively, were made to the Capital Project – Equipment Reserve Fund for financing of future equipment replacements. In addition, the General Fund made nonroutine transfers to the Special Parks and Recreation Fund in the amount of \$40,000 to assist in financing certain park improvements.

## 10. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements and it is management's opinion that any such amounts are not significant to the City's financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

## 11. TAX ABATEMENTS

In the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. The objective of GASB Statement No. 77 is to improve financial reporting by giving financial statement users essential information regarding the nature and magnitude of tax abatements. The City operates two economic development programs that qualify as tax abatements under GASB No. 77. Those programs are summarized as follows.

### Property Tax Abatements

The City approves property tax abatements in accordance with K.S.A. 79-201a Second and Twenty-Fourth and K.S.A. 12-1740 to 12-1749d, inclusive. The City has two separate new home incentive programs that were established during 2016 to provide the community with long-term stabilization and improvement of its property tax base while increasing the community supply of residential housing. The incentive programs are designed to encourage the construction of new homes within the corporate limits of the City of Clearwater.

The “Residential New Home Construction Incentive Program” consists of (1) a reduction of building permit fees for new residential construction, (2) a lot transfer fee schedule for City owned lots in the Chisholm Trail Residential Housing Addition, (3) utility connection fee abatements, (4) builder rebates and (5) homebuyer cash incentives. The Program provides a 50% reduction of building permit fees, abatement of the City’s water and sewer connection fees, transfer of City owned lots at a \$10,000 transfer fee, abatement of all currently levied special assessments against all transferred City owned lots, and builder rebates for City owned lots ranging from \$1,987 to \$3,518. In addition, the City will make a one-time payment up to \$1,500 at closing to the first ten (10) eligible first-time homebuyers in each calendar year. The properties identified as City owned lots are eligible to participate in the Program so long as a New Home Building Permit is issued prior to December 31, 2016. During 2016, the City sold four properties and retired the special assessment taxes on those properties totaling \$30,315. The City has no mechanism to recapture the abated special assessment taxes.

The “Residential New Home Construction Incentive Program for Park Glen Estates” consists of (1) a reduction of building permit fees for new residential construction, (2) utility connection fee abatements, (3) builder construction loan assistance and (4) homebuyer cash incentives. The Program provides for a 50% reduction in building permit fees and abatement of the City’s water and sewer connection fees. In addition, the City agrees to provide builder assistance for construction loan interest at .4167% for a maximum of nine (9) months, provide a cash incentive to a home owner equal to 50% of the City portion of the property tax bill for a period of five (5) years and make a one-time payment of up to \$1,500 at closing to the first ten (10) eligible first-time homebuyers in each calendar year. The properties identified as Block 1, Lots 1 through 11 of Park Glen Estates are eligible to participate in the Program so long as a New Home Building Permit is issued prior to December 31, 2016. During 2016, the City issued one building permit with an abatement on the building permit fee of \$842.

## **12. FUND DEFICITS**

At December 31, 2016, the Capital Projects Fund had incurred a fund deficit in the amount of \$101,260. This fund deficit will be financed through the sale of bonds authorized by the City Council, not yet sold at December 31, 2016, or through other revenue sources available to the City.

## **13. COMMITMENTS AND CONTINGENCIES**

At December 31, 2016, the City had outstanding commitments related to walking path improvements at the Sports Complex in the amount of \$66,326.

During 2013, the City received an Order from the Kansas Department of Health and Environment (KDHE) pertaining to the current operations of the City's wastewater treatment facility. The Order required the City to hire an engineer with expertise in wastewater facility operations and for the City to submit a plan of action regarding the Order. The City employed a consulting engineer and a permanent plan for sewer system improvements was submitted to KDHE. During 2015, the City issued general obligation bonds in the amount of \$575,149 to provide permanent financing for the sewer system improvements. At December 31, 2016, substantially all of the sewer system improvements were completed with only monitoring activities being conducted by the City's engineer to ensure compliance with the KDHE Order.

## **14. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 27, 2017, the date on which the financial statements were available to be issued.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CLEARWATER, KANSAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**KPERS PENSION PLAN**

**Schedule of City's Proportionate Share of the Net Pension Liability**  
**Last Four Years \***

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportionate percentage of the net pension liability	.042544%	.039900%	.042569%	.041614%
City's proportionate share of the net pension liability	\$652,929	\$ 523,905	\$ 523,945	\$ 633,399
City's covered employee payroll	\$741,329	\$ 643,639	\$ 663,077	\$ 645,088
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	88.08%	81.40%	79.17%	98.19%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	71.98%	72.56%	64.56%

**Schedule of City's Contributions**  
**Last Four Years \***

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 69,563	\$ 65,965	\$ 62,568	\$ 54,585
Contributions in relation to the contractually required contribution	<u>(69,563)</u>	<u>(65,965)</u>	<u>(62,568)</u>	<u>(54,585)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered employee payroll	\$ 757,767	\$ 695,833	\$ 707,783	\$ 687,469
Contributions as a percentage of covered employee payroll	9.18%	9.48%	8.84%	7.94%

\* – Data became available with the inception of GASB Statement No. 68 during fiscal year 2015, therefore 10 years of data is unavailable.

**(This page left blank intentionally.)**

**COMBINING FINANCIAL STATEMENTS  
AND  
INDIVIDUAL FUND SCHEDULES**

## **GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

**Special Highway Fund** – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

**Employee Benefits Fund** – to account for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes, health insurance, life insurance and pension contributions for employees of the City.

**Special Liability Insurance Fund** – to account for costs incurred related to legal defense, claims, and other direct and indirect costs resulting from the Kansas Tort Claims Act.

**Special Parks and Recreation Fund** – to account for the state shared tax for parks and recreation.

**Capital Improvement Fund** – to account for the financing of public improvements including the repair, restoration and rehabilitation of existing public facilities.

**Library Fund** – to account for the taxes levied for the funding for the operation of the public library.

**Library Employee Benefits Fund** – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

**Emergency Medical Services Fees Fund** – to account for the fees assessed to City residents to provide resources for emergency medical services operations.

**Senior Citizens Fund** – to account for moneys appropriated to the City from Sedgwick County for senior citizen's activities.

**Police Reserves Fund** – to account for donations specified for use in police reserve activities.

**Donations Ambulance Fund** – to account for public donations specified for use in providing emergency ambulance services.

**Donations Crimestoppers Fund** – to account for public donations specified for use in policing activities.

## **NONMAJOR SPECIAL REVENUE FUNDS (continued)**

**Donations Fire Fund** – to account for public donations specified for use in providing fire-fighting activities.

**Donations Park Fund** – to account for public donations and grants specified for use in providing park facilities for the public.

**Donations Historical Society Fund** – to account for public donations and membership proceeds for providing a Historical Museum in the City.

**Donations Senior Center Building Fund** – to account for public donations for providing a new Senior Center Building.

**Law Enforcement Trust Fund** – to account for the proceeds from forfeitures of property obtained through the County Attorney's office related to drug offense prosecutions.

**Clearwater Public Building Commission** – the Clearwater Public Building Commission is a component unit of the City and is used to account for the acquisition and subsequent debt service of public buildings utilized by the City.

## **NONMAJOR CAPITAL PROJECT FUNDS**

**Capital Project – Equipment Reserve Fund** – to account for the funding mechanism to secure the orderly acquisition and replacement of equipment for various operations of the City.

**CITY OF CLEARWATER, KANSAS**

**COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2016**

	<u>Special Revenue</u>	<u>Capital Project – Equipment Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 541,173	\$ 36,256	\$ 577,429
Property taxes receivable	101,123	–	101,123
Accounts receivable, net	<u>2,576</u>	<u>–</u>	<u>2,576</u>
Total assets	<u>\$ 644,872</u>	<u>\$ 36,256</u>	<u>\$ 681,128</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 2,628	\$ –	\$ 2,628
Deferred inflows of resources:			
Deferred property taxes receivable	<u>101,123</u>	<u>–</u>	<u>101,123</u>
Fund balances:			
Restricted for:			
General government	51,118	–	51,118
Public safety	63,926	–	63,926
Street maintenance and improvement	52,880	–	52,880
Culture and recreation	73,277	–	73,277
Committed for:			
Capital improvements	239,213	–	239,213
Assigned for:			
General government	54,458	–	54,458
Public safety	–	18,250	18,250
Street maintenance and improvement	–	5,122	5,122
Culture and recreation	<u>6,249</u>	<u>12,884</u>	<u>19,133</u>
Total fund balances	<u>541,121</u>	<u>36,256</u>	<u>577,377</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 644,872</u>	<u>\$ 36,256</u>	<u>\$ 681,128</u>

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS**

**Year ended December 31, 2016**

	<u>Special Revenue</u>	<u>Capital Project – Equipment Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Taxes	\$ 160,846	\$ –	\$ 160,846
Intergovernmental	115,263	–	115,263
Licenses and permits	7,169	–	7,169
Charges for services	27,047	–	27,047
Use of money and property	2,647	–	2,647
Miscellaneous	<u>15,033</u>	<u>–</u>	<u>15,033</u>
Total revenues	<u>328,005</u>	<u>–</u>	<u>328,005</u>
Expenditures:			
Current:			
General government	7,000	–	7,000
Public safety	18,751	–	18,751
Highways and streets	65,807	–	65,807
Culture and recreation	147,655	–	147,655
Economic development	1,140	–	1,140
Debt Service	<u>26,085</u>	<u>–</u>	<u>26,085</u>
Total expenditures	<u>266,438</u>	<u>–</u>	<u>266,438</u>
Revenues over (under) expenditures	<u>61,567</u>	<u>–</u>	<u>61,567</u>
Other financing sources (uses):			
Transfers in	40,000	36,256	76,256
Transfers out	<u>(92,679)</u>	<u>–</u>	<u>(92,679)</u>
Total other financing sources (uses)	<u>(52,679)</u>	<u>36,256</u>	<u>(16,423)</u>
Revenues and other sources over expenditures and other uses	8,888	36,256	45,144
Fund balances, beginning of year	<u>532,233</u>	<u>–</u>	<u>532,233</u>
Fund balances, end of year	<u>\$ 541,121</u>	<u>\$ 36,256</u>	<u>\$ 577,377</u>



**CITY OF CLEARWATER, KANSAS**

**COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS**

(continued on next page)

**December 31, 2016**

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Special Liability Insurance</u>	<u>Special Parks and Recreation</u>	<u>Capital Improve- ment</u>	<u>Library</u>	<u>Library Employee Benefits</u>	<u>Emergency Medical Services Fees</u>	<u>Senior Citizens</u>	<u>Police Reserves</u>
<b><u>ASSETS</u></b>										
Cash and short-term investments	\$ 54,253	\$ 50,799	\$ 319	\$ 25,793	\$ 240,353	\$ 2,353	\$ 2,671	\$ 27,295	\$ 6,339	\$ 2,380
Accounts receivable	-	-	-	-	-	-	-	2,576	-	-
Property taxes receivable	-	-	7,863	-	21,751	59,785	11,724	-	-	-
Total assets	<u>\$ 54,253</u>	<u>\$ 50,799</u>	<u>\$ 8,182</u>	<u>\$ 25,793</u>	<u>\$ 262,104</u>	<u>\$ 62,138</u>	<u>\$ 14,395</u>	<u>\$ 29,871</u>	<u>\$ 6,339</u>	<u>\$ 2,380</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>										
Liabilities:										
Accounts payable	\$ 1,373	\$ -	\$ -	\$ -	\$ 1,140	\$ 25	\$ -	\$ -	\$ 90	\$ -
Deferred inflows of resources:										
Property taxes receivable	-	-	7,863	-	21,751	59,785	11,724	-	-	-
Fund balances:										
Restricted for:										
General government	-	50,799	319	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	29,871	-	2,380
Street maintenance and improvements	52,880	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	25,793	-	2,328	2,671	-	-	-
Committed for:										
Capital improvements	-	-	-	-	239,213	-	-	-	-	-
Assigned for:										
General government	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	6,249	-
Total fund balances	<u>52,880</u>	<u>50,799</u>	<u>319</u>	<u>25,793</u>	<u>239,213</u>	<u>2,328</u>	<u>2,671</u>	<u>29,871</u>	<u>6,249</u>	<u>2,380</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 54,253</u>	<u>\$ 50,799</u>	<u>\$ 8,182</u>	<u>\$ 25,793</u>	<u>\$ 262,104</u>	<u>\$ 62,138</u>	<u>\$ 14,395</u>	<u>\$ 29,871</u>	<u>\$ 6,339</u>	<u>\$ 2,380</u>

**CITY OF CLEARWATER, KANSAS**

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS**  
(continued from previous page)

**December 31, 2016**

	Donations <u>Ambu- lance</u>	Donations <u>Crime- stoppers</u>	Donations <u>Fire</u>	Donations <u>Park</u>	Donations <u>Historical Society</u>	Donations <u>Senior Center Building</u>	Law Enforce- ment <u>Trust</u>	Clearwater Public Building <u>Commission</u>	Total Nonmajor Governmental <u>Funds</u>
<b><u>ASSETS</u></b>									
Cash and short-term investments	\$ 17,290	\$ 10,298	\$ 2,829	\$ 4,803	\$ 32,808	\$ 4,874	\$ 1,258	\$ 54,458	\$ 541,173
Accounts receivable	-	-	-	-	-	-	-	-	2,576
Property taxes receivable	-	-	-	-	-	-	-	-	101,123
Total assets	<u>\$ 17,290</u>	<u>\$ 10,298</u>	<u>\$ 2,829</u>	<u>\$ 4,803</u>	<u>\$ 32,808</u>	<u>\$ 4,874</u>	<u>\$ 1,258</u>	<u>\$ 54,458</u>	<u>\$ 644,872</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,628
Deferred inflows of resources:									
Property taxes receivable	-	-	-	-	-	-	-	-	101,123
Fund balances:									
Restricted for:									
General government	-	-	-	-	-	-	-	-	51,118
Public safety	17,290	10,298	2,829	-	-	-	1,258	-	63,926
Street maintenance and improvements	-	-	-	-	-	-	-	-	52,880
Culture and recreation	-	-	-	4,803	32,808	4,874	-	-	73,277
Committed for:									
Capital improvements	-	-	-	-	-	-	-	-	239,213
Assigned for:									
General government	-	-	-	-	-	-	-	54,458	54,458
Culture and recreation	-	-	-	-	-	-	-	-	6,249
Total fund balances	<u>17,290</u>	<u>10,298</u>	<u>2,829</u>	<u>4,803</u>	<u>32,808</u>	<u>4,874</u>	<u>1,258</u>	<u>54,458</u>	<u>541,121</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 17,290</u>	<u>\$ 10,298</u>	<u>\$ 2,829</u>	<u>\$ 4,803</u>	<u>\$ 32,808</u>	<u>\$ 4,874</u>	<u>\$ 1,258</u>	<u>\$ 54,458</u>	<u>\$ 644,872</u>

**CITY OF CLEARWATER, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
(continued on next page)**

**Year ended December 31, 2016**

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Special Liability Insurance</u>	<u>Special Parks and Recreation</u>	<u>Capital Improve- ment</u>	<u>Library</u>	<u>Library Employee Benefits</u>	<u>Emergency Medical Services Fees</u>	<u>Senior Citizens</u>	<u>Police Reserves</u>
Revenues:										
Taxes	\$ -	\$ 32,464	\$ 3,158	\$ 1,871	\$ 41,954	\$ 68,018	\$ 13,381	\$ -	\$ -	\$ -
Intergovernmental	96,490	-	-	773	-	-	-	-	18,000	-
Licenses, fees and permits	-	-	-	7,169	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	26,004	1,043	-
Use of money and property	711	55	7	111	916	-	17	92	16	9
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>97,201</u>	<u>32,519</u>	<u>3,165</u>	<u>9,924</u>	<u>42,870</u>	<u>68,018</u>	<u>13,398</u>	<u>26,096</u>	<u>19,059</u>	<u>9</u>
Expenditures:										
General government	-	-	7,000	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Highways and streets	65,807	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	48,130	-	65,690	10,951	-	18,400	-
Economic development	-	-	-	-	1,140	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	23,085	3,000	-
<b>Total expenditures</b>	<u>65,807</u>	<u>-</u>	<u>7,000</u>	<u>48,130</u>	<u>1,140</u>	<u>65,690</u>	<u>10,951</u>	<u>23,085</u>	<u>21,400</u>	<u>-</u>
Revenues over (under) expenditures	<u>31,394</u>	<u>32,519</u>	<u>(3,835)</u>	<u>(38,206)</u>	<u>41,730</u>	<u>2,328</u>	<u>2,447</u>	<u>3,011</u>	<u>(2,341)</u>	<u>9</u>
Other financing sources (uses):										
Transfers in	-	-	-	40,000	-	-	-	-	-	-
Transfers out	(5,122)	(78,807)	-	(3,750)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(5,122)</u>	<u>(78,807)</u>	<u>-</u>	<u>36,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	26,272	(46,288)	(3,835)	(1,956)	41,730	2,328	2,447	3,011	(2,341)	9
Fund balances, beginning of year	<u>26,608</u>	<u>97,087</u>	<u>4,154</u>	<u>27,749</u>	<u>197,483</u>	<u>-</u>	<u>224</u>	<u>26,860</u>	<u>8,590</u>	<u>2,371</u>
Fund balances, end of year	<u>\$ 52,880</u>	<u>\$ 50,799</u>	<u>\$ 319</u>	<u>\$ 25,793</u>	<u>\$ 239,213</u>	<u>\$ 2,328</u>	<u>\$ 2,671</u>	<u>\$ 29,871</u>	<u>\$ 6,249</u>	<u>\$ 2,380</u>

**CITY OF CLEARWATER, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS  
(continued from previous page)**

**Year ended December 31, 2016**

	Donations Ambu- lance	Donations Crime- stoppers	Donations Fire	Donations Park	Donations Historical Society	Donations Senior Center Building	Law Enforce- ment Trust	Clearwater Public Building Commission	Total Nonmajor Governmental Funds
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,846
Intergovernmental	-	-	-	-	-	-	-	-	115,263
Licenses, fees and permits	-	-	-	-	-	-	-	-	7,169
Charges for services	-	-	-	-	-	-	-	-	27,047
Use of money and property	81	41	14	20	319	20	5	213	2,647
Miscellaneous	<u>8,816</u>	<u>300</u>	<u>2,966</u>	<u>-</u>	<u>2,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,033</u>
Total revenues	<u>8,897</u>	<u>341</u>	<u>2,980</u>	<u>20</u>	<u>3,270</u>	<u>20</u>	<u>5</u>	<u>213</u>	<u>328,005</u>
Expenditures:									
General government	-	-	-	-	-	-	-	-	7,000
Public safety	10,024	125	8,602	-	-	-	-	-	18,751
Highway and streets	-	-	-	-	-	-	-	-	65,807
Culture and recreation	-	-	-	-	1,665	1,571	-	1,248	147,655
Economic development	-	-	-	-	-	-	-	-	1,140
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,085</u>
Total expenditures	<u>10,024</u>	<u>125</u>	<u>8,602</u>	<u>-</u>	<u>1,665</u>	<u>1,571</u>	<u>-</u>	<u>1,248</u>	<u>266,438</u>
Revenues over (under) expenditures	<u>(1,127)</u>	<u>216</u>	<u>(5,622)</u>	<u>20</u>	<u>1,605</u>	<u>(1,551)</u>	<u>5</u>	<u>(1,035)</u>	<u>61,567</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	40,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(92,679)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(52,679)</u>
Net change in fund balance	(1,127)	216	(5,622)	20	1,605	(1,551)	5	(6,035)	8,888
Fund balances, beginning of year	<u>18,417</u>	<u>10,082</u>	<u>8,451</u>	<u>4,783</u>	<u>31,203</u>	<u>6,425</u>	<u>1,253</u>	<u>60,493</u>	<u>532,233</u>
Fund balances, end of year	<u>\$ 17,290</u>	<u>\$ 10,298</u>	<u>\$ 2,829</u>	<u>\$ 4,803</u>	<u>\$ 32,808</u>	<u>\$ 4,874</u>	<u>\$ 1,258</u>	<u>\$ 54,458</u>	<u>\$ 541,121</u>

**CITY OF CLEARWATER, KANSAS**

**SPECIAL HIGHWAY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 92,250	\$ 92,250	\$ 96,490	\$ 4,240
Use of money and property	<u>50</u>	<u>50</u>	<u>711</u>	<u>661</u>
Total revenues	<u>92,300</u>	<u>92,300</u>	<u>97,201</u>	<u>4,901</u>
Expenditures and other uses:				
Personal services	32,172	32,172	29,537	2,635
Contractual services	9,300	9,300	6,997	2,303
Commodities	9,325	9,325	6,531	2,794
Capital outlay	36,500	36,500	22,742	13,758
Transfers out	<u>5,122</u>	<u>5,122</u>	<u>5,122</u>	<u>–</u>
Total expenditures	<u>92,419</u>	<u>92,419</u>	<u>70,929</u>	<u>21,490</u>
Revenues over (under) expenditures	(119)	(119)	26,272	26,391
Fund balance, beginning of year	<u>468</u>	<u>468</u>	<u>26,608</u>	<u>26,140</u>
Fund balance, end of year	<u>\$ 349</u>	<u>\$ 349</u>	<u>\$ 52,880</u>	<u>\$ 52,531</u>

**CITY OF CLEARWATER, KANSAS**

**EMPLOYEE BENEFITS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$     –	\$     –	\$ 32,464	\$ 32,464
Use of money and property	<u>          –</u>	<u>          –</u>	<u>          55</u>	<u>          55</u>
Total revenues	–	–	32,519	32,519
Expenditures:				
Transfers out	<u>78,807</u>	<u>78,807</u>	<u>78,807</u>	<u>          –</u>
Revenues over (under)				
expenditures	(78,807)	(78,807)	(46,288)	32,519
Fund balance,				
beginning of year	<u>78,807</u>	<u>78,807</u>	<u>97,087</u>	<u>18,280</u>
Fund balance, end of year	<u><u>\$     –</u></u>	<u><u>\$     –</u></u>	<u><u>\$ 50,799</u></u>	<u><u>\$ 50,799</u></u>

**CITY OF CLEARWATER, KANSAS**

**SPECIAL LIABILITY INSURANCE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,875	\$ 2,875	\$ 3,158	\$ 283
Use of money and property	<u>—</u>	<u>—</u>	<u>7</u>	<u>7</u>
Total revenues	2,875	2,875	3,165	290
Expenditures:				
Contractual services	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>—</u>
Revenues over (under)				
expenditures	(4,125)	(4,125)	(3,835)	290
Fund balance,				
beginning of year	<u>4,125</u>	<u>4,125</u>	<u>4,154</u>	<u>29</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 319</u>	<u>\$ 319</u>

**CITY OF CLEARWATER, KANSAS**

**SPECIAL PARKS AND RECREATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Liquor tax	\$ 3,080	\$ 3,080	\$ 1,871	\$ (1,209)
Intergovernmental	41,000	41,000	773	(40,227)
Licenses, fees and permits	5,000	5,000	7,169	2,169
Use of money and property	94	94	111	17
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>—</u>
Total revenues	<u>89,174</u>	<u>89,174</u>	<u>49,924</u>	<u>(39,250)</u>
Expenditures:				
Contractual services	5,500	5,500	5,000	500
Capital outlay	80,000	80,000	43,130	36,870
Transfers out	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>—</u>
Total expenditures	<u>89,250</u>	<u>89,250</u>	<u>51,880</u>	<u>37,370</u>
Revenues over (under) expenditures	(76)	(76)	(1,956)	(1,880)
Fund balance, beginning of year	<u>31,587</u>	<u>31,587</u>	<u>27,749</u>	<u>(3,838)</u>
Fund balance, end of year	<u>\$ 31,511</u>	<u>\$ 31,511</u>	<u>\$ 25,793</u>	<u>\$ (5,718)</u>



**CITY OF CLEARWATER, KANSAS**

**CAPITAL IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 39,908	\$ 39,908	\$ 41,954	\$ 2,046
Use of money and property	<u>400</u>	<u>400</u>	<u>916</u>	<u>516</u>
Total revenues	40,308	40,308	42,870	2,562
Expenditures:				
Capital outlay	<u>116,000</u>	<u>116,000</u>	<u>1,140</u>	<u>114,860</u>
Revenues over (under)				
expenditures	(75,692)	(75,692)	41,730	117,422
Fund balance,				
beginning of year	<u>75,692</u>	<u>75,692</u>	<u>197,483</u>	<u>121,791</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 239,213</u>	<u>\$ 239,213</u>

**CITY OF CLEARWATER, KANSAS**

**LIBRARY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND CASH BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 65,690	\$ 65,690	\$ 68,018	\$ 2,328
Expenditures:				
Appropriation to Library Board	<u>65,690</u>	<u>65,690</u>	<u>65,690</u>	<u>—</u>
Revenues over (under) expenditures	—	—	2,328	2,328
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,328</u>	<u>\$ 2,328</u>

**CITY OF CLEARWATER, KANSAS**

**LIBRARY EMPLOYEE BENEFITS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND CASH BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 13,020	\$ 13,020	\$ 13,381	\$ 361
Use of money and property	<u>—</u>	<u>—</u>	<u>17</u>	<u>17</u>
Total revenues	13,020	13,020	13,398	378
Expenditures:				
Appropriation to Library Board	<u>13,184</u>	<u>13,184</u>	<u>10,951</u>	<u>2,233</u>
Revenues over (under) expenditures	(164)	(164)	2,447	2,611
Fund balance, beginning of year	<u>164</u>	<u>164</u>	<u>224</u>	<u>60</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,671</u>	<u>\$ 2,671</u>

**CITY OF CLEARWATER, KANSAS**

**EMERGENCY MEDICAL SERVICES FEE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND CASH BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 26,004	\$ 1,004
Use of money and property	<u>50</u>	<u>50</u>	<u>92</u>	<u>42</u>
Total revenues	25,050	25,050	26,096	1,046
Expenditures:				
Debt service	<u>23,500</u>	<u>23,500</u>	<u>23,085</u>	<u>415</u>
Revenues over expenditures	1,550	1,550	3,011	1,461
Fund balance, beginning of year	<u>26,972</u>	<u>26,972</u>	<u>26,860</u>	<u>(112)</u>
Fund balance, end of year	<u>\$ 28,522</u>	<u>\$ 28,522</u>	<u>\$ 29,871</u>	<u>\$ 1,349</u>

**CITY OF CLEARWATER, KANSAS**

**SENIOR CENTER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND CASH BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 18,000	\$ 18,000	\$ 18,000	\$ –
Charges for services	500	500	1,043	543
Use of money and property	<u>–</u>	<u>–</u>	<u>16</u>	<u>16</u>
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>19,059</u>	<u>559</u>
Expenditures:				
Personal services	10,290	10,290	11,725	(1,435)
Contractual services	4,250	4,250	4,597	(347)
Commodities	3,860	3,860	2,078	1,782
Transfers out	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>–</u>
Total expenditures	<u>21,400</u>	<u>21,400</u>	<u>21,400</u>	<u>–</u>
Revenues over expenditures	(2,900)	(2,900)	(2,341)	559
Fund balance, beginning of year	<u>6,288</u>	<u>6,288</u>	<u>8,590</u>	<u>2,302</u>
Fund balance, end of year	<u>\$ 3,388</u>	<u>\$ 3,388</u>	<u>\$ 6,249</u>	<u>\$ 2,861</u>

**CITY OF CLEARWATER, KANSAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 52,435	\$ 52,435	\$ 56,281	\$ 3,846
Special assessments	255,765	255,765	288,902	33,137
Use of money and property	350	350	715	365
Transfers in	<u>108,295</u>	<u>108,295</u>	<u>11,054</u>	<u>(97,241)</u>
Total revenues and other sources	<u>416,845</u>	<u>416,845</u>	<u>356,952</u>	<u>(59,893)</u>
Expenditures:				
Bond Principal	320,000	320,000	272,268	47,732
Bond interest and commission	113,799	113,799	90,779	23,020
Bond reserve	<u>5,000</u>	<u>5,000</u>	<u>—</u>	<u>5,000</u>
Total expenditures	<u>438,799</u>	<u>438,799</u>	<u>363,047</u>	<u>75,752</u>
Revenues over (under) expenditures	(21,954)	(21,954)	(6,095)	15,859
Fund balance, beginning of year	<u>21,954</u>	<u>21,954</u>	<u>69,326</u>	<u>47,372</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 63,231</u>	<u>\$ 63,231</u>

## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

**Water Utility Fund** – to account for the operation of municipal water utility including water supply, treatment and distribution.

**Sewer Utility Fund** – to account for the operation of sewer utility including the collection and treatment of wastewater.

**CITY OF CLEARWATER, KANSAS**

**WATER UTILITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 354,150	\$ 354,150	\$ 357,668	\$ 3,518
Use of money and property	300	300	900	600
Miscellaneous	<u>—</u>	<u>—</u>	<u>1,674</u>	<u>1,674</u>
Total revenues	<u>354,450</u>	<u>354,450</u>	<u>360,242</u>	<u>5,792</u>
Expenditures:				
Personnel services	219,402	219,402	218,116	1,286
Contractual services	60,400	60,400	47,594	12,806
Commodities	58,950	58,950	48,500	10,450
Capital outlay	51,000	51,000	27,519	23,481
Transfers out	<u>18,276</u>	<u>18,276</u>	<u>18,276</u>	<u>—</u>
Total expenditures	<u>408,028</u>	<u>408,028</u>	<u>360,005</u>	<u>48,023</u>
Revenues over (under) expenditures	(53,578)	(53,578)	237	53,815
Fund balance, beginning of year	<u>206,747</u>	<u>206,747</u>	<u>249,154</u>	<u>42,407</u>
Fund balance, end of year	<u>\$ 153,169</u>	<u>\$ 153,169</u>	<u>\$ 249,391</u>	<u>\$ 96,222</u>



**CITY OF CLEARWATER, KANSAS**

**SEWER UTILITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Charges for services	\$ 517,390	\$ 517,390	\$ 518,623	\$ 1,233
Use of money and property	225	225	1,186	961
Miscellaneous	<u>—</u>	<u>—</u>	<u>953</u>	<u>953</u>
Total revenues	<u>517,615</u>	<u>517,615</u>	<u>520,762</u>	<u>3,147</u>
<b>Expenditures:</b>				
Personnel services	193,896	193,896	178,747	15,149
Contractual services	72,300	72,300	25,570	46,730
Commodities	18,425	18,425	4,487	13,938
Capital outlay	70,000	70,000	45,900	24,100
Transfers out	<u>105,959</u>	<u>105,959</u>	<u>105,960</u>	<u>(1)</u>
Total expenditures	<u>460,580</u>	<u>460,580</u>	<u>360,664</u>	<u>99,916</u>
Revenues over (under) expenditures	57,035	57,035	160,098	103,063
Fund balance, beginning of year	<u>130,392</u>	<u>130,392</u>	<u>150,020</u>	<u>19,628</u>
Fund balance, end of year	<u>\$ 187,427</u>	<u>\$ 187,427</u>	<u>\$ 310,118</u>	<u>\$ 122,691</u>

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to report assets held in a trustee or agent capacity for others and, therefore, are not used to support the government's own programs.

### **AGENCY FUNDS**

**Payroll Tax Withholding Fund** – to account for the withholding taxes and other employee payroll withholdings due to other agencies.

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS – PAYROLL TAX WITHHOLDING FUND**

**Year ended December 31, 2016**

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2016</u>
<b><u>PAYROLL TAX</u></b>				
<b><u>WITHHOLDING FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$   –	\$1,127,991	\$1,091,645	\$36,346
Due from others	<u>1,549</u>	<u>–</u>	<u>1,549</u>	<u>–</u>
	<u>\$ 1,549</u>	<u>\$1,127,991</u>	<u>\$1,093,194</u>	<u>\$36,346</u>
<b><u>LIABILITIES</u></b>				
Accrued liabilities	\$ 371	\$1,127,991	\$1,092,016	\$36,346
Due to other funds	<u>1,178</u>	<u>–</u>	<u>1,178</u>	<u>–</u>
	<u>\$ 1,549</u>	<u>\$1,127,991</u>	<u>\$1,093,194</u>	<u>\$36,346</u>

**(This page left blank intentionally.)**

## **COMPONENT UNIT**

The Clearwater Public Library is reported as a discretely presented component unit within the financial statements of the City of Clearwater (the reporting entity) to emphasize its separate legal status. The Clearwater Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library and Library Employee Benefits special revenue fund of the City. The Library Board also receives funding through state assistance programs, charges for services and donations from the public. The following funds are used to account for the operations of the Clearwater Public Library:

**Library Board Fund** – to account for moneys held directly by the Library Board and made available as needed to assist in financing the operations of the public library.

**Library Levy Fund** – to account for the property taxes, grants and other resources received for the operations of the public library.

**Library Employee Benefits Fund** – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

**Library Capital Improvement Fund** – to account for capital equipment and improvement expenditures. Financing is provided through transfers from other funds.

**Donations Library Fund** – to account for public donations specified for use in providing a public library in the City.

**Friends of the Library Fund** – to account for resources provided by the Friends of the Library organization who has assisted in fund raising for the public library's operating activities.

**CITY OF CLEARWATER, KANSAS**

**COMBINING BALANCE SHEET – CLEARWATER PUBLIC LIBRARY**

**December 31, 2016**

	<u>Library Board</u>	<u>Library Levy</u>	<u>Library Employee Benefits</u>	<u>Library Capital Improve- ment</u>	<u>Donations Library</u>	<u>Friends of the Library</u>	<u>Total</u>
<b><u>ASSETS</u></b>							
Cash and investments	\$ 11,847	\$ 31,863	\$ —	\$ 31,170	\$ 6,681	\$ —	\$ 81,561
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Liabilities:							
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Fund balances:							
Restricted	—	31,863	—	—	6,681	—	38,544
Committed	—	—	—	31,170	—	—	31,170
Unassigned	11,847	—	—	—	—	—	11,847
Total fund balances	11,847	31,863	—	31,170	6,681	—	81,561
Total liabilities and fund balances	\$ 11,847	\$ 31,863	\$ —	\$ 31,170	\$ 6,681	\$ —	\$ 81,561
Reconciliation to total net position:							
Total fund balances per above							\$ 81,561
Add capital assets							159,858
Less accumulated depreciation on capital assets							(91,011)
Deferred outflows of resources related to pensions							13,377
Deferred inflows of resources related to pensions							(4,878)
Unfunded net pension liability related to pensions							(43,858)
Total net position							\$ 115,049

**CITY OF CLEARWATER, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – CLEARWATER PUBLIC LIBRARY**

**Year ended December 31, 2016**

	<u>Library Board</u>	<u>Library Levy</u>	<u>Library Employee Benefits</u>	<u>Library Capital Improve- ment</u>	<u>Donations Library</u>	<u>Friends of the Library</u>	<u>Total</u>
<b>Revenues:</b>							
Appropriation from City of Clearwater	\$ -	\$ 65,690	\$ 10,951	\$ -	\$ -	\$ -	\$ 76,641
Intergovernmental	-	19,214	-	-	-	-	19,214
Charges for services	-	1,623	-	-	-	-	1,623
Use of money and property	14	168	-	124	23	-	329
Miscellaneous	<u>3,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,856</u>	<u>-</u>	<u>5,771</u>
Total revenues	<u>3,929</u>	<u>86,695</u>	<u>10,951</u>	<u>124</u>	<u>1,879</u>	<u>-</u>	<u>103,578</u>
<b>Expenditures:</b>							
Current:							
Personnel services	-	52,810	10,951	-	-	-	63,761
Contractual services	-	9,305	-	-	-	-	9,305
Commodities	3,431	14,901	-	-	178	-	18,510
Capital outlay	<u>-</u>	<u>1,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,744</u>
Total expenditures	<u>3,431</u>	<u>78,760</u>	<u>10,951</u>	<u>-</u>	<u>178</u>	<u>-</u>	<u>93,320</u>
Revenues over (under) expenditures	<u>498</u>	<u>7,935</u>	<u>-</u>	<u>124</u>	<u>1,701</u>	<u>-</u>	<u>10,258</u>
<b>Other financial sources (uses):</b>							
Transfers in	-	-	-	-	268	-	268
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(268)</u>	<u>(268)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268</u>	<u>(268)</u>	<u>-</u>
Net change in fund balance	498	7,935	-	124	1,969	(268)	10,258
Fund balances, beginning of year	<u>11,349</u>	<u>23,928</u>	<u>-</u>	<u>31,046</u>	<u>4,712</u>	<u>268</u>	<u>71,303</u>
Fund balances, end of year	<u>\$ 11,847</u>	<u>\$ 31,863</u>	<u>\$ -</u>	<u>\$ 31,170</u>	<u>\$ 6,681</u>	<u>\$ -</u>	<u>\$ 81,561</u>
<b>Reconciliation of change in net position:</b>							
Net change in fund balance per above							\$ 10,258
Add acquisition of capital assets							1,744
Less current year depreciation on capital assets							(4,461)
Net change in components of the unfunded net pension for deferred outflows of resources, deferred inflows of resources and net pension liability for 2016							<u>(35,360)</u>
Change in net position							<u>\$ (27,819)</u>